

ZHONGMIN BAIHUI RETAIL GROUP LTD.
(Company Registration No.: 200411929C)

**UNAUDITED FINANCIAL STATEMENT FOR THE SECOND QUARTER AND HALF YEAR
ENDED 30 JUNE 2016**

**PART I – INFORMATION REQUIRED FOR ANNOUNCEMENTS OF QUARTERLY (Q1, Q2 & Q3), HALF YEAR
AND FULL YEAR RESULTS**

- 1(a) An income statement and statement of comprehensive income, or a statement of comprehensive income, for the group, together with a comparative statement for the corresponding period of the immediately preceding financial year.**

Consolidated statement of comprehensive income for the second quarter (“2Q 2016”) and half year ended 30 June 2016 (“1H 2016”)

	Group					
	3 months ended		Change +/(-) %	6 months ended		Change +/(-) %
	30/6/2016 RMB'000	30/6/2015 RMB'000		30/6/2016 RMB'000	30/6/2015 RMB'000	
Revenue⁽¹⁾	200,925	199,397	0.8	430,797	432,733	(0.4)
Cost of sales	(128,155)	(123,047)	4.2	(273,740)	(264,313)	3.6
Gross profit	72,770	76,350	(4.7)	157,057	168,420	(6.7)
Other income	97,219	19,041	410.6	114,231	37,044	208.4
Interest income	708	752	(5.9)	4,108	1,267	224.2
Selling and distribution expenses	(55,200)	(58,964)	(6.4)	(112,897)	(121,967)	(7.4)
Finance costs	-	(192)	n.m.	-	(383)	n.m.
Administrative expenses	(33,171)	(17,250)	92.3	(52,050)	(33,882)	53.6
Profit before taxation and share of results of associates	82,326	19,737	317.1	110,449	50,499	118.7
Share of results of associate	(9)	(61)	(85.2)	(67)	(156)	(57.1)
Profit before taxation⁽²⁾	82,317	19,676	318.4	110,382	50,343	119.3
Taxation	(28,292)	(6,454)	338.4	(35,953)	(14,510)	147.8
Profit after taxation	54,025	13,222	308.6	74,429	35,833	107.7
Other comprehensive income:						
Items that may be reclassified subsequently to profit or loss						
Currency translation gain/(loss)	(544)	248	n.m.	523	(130)	n.m.
Other comprehensive income, net of tax	(544)	248	n.m.	523	(130)	n.m.
Total comprehensive income for the for the period attributable to the owners of the Company	53,481	13,470	297.0	74,952	35,703	109.9

n.m. – Not meaningful

Notes to the consolidated statement of comprehensive income

1. Revenue

The Group's revenue represents the net amount received and receivable for goods sold by direct sales, commission from concessionaire sales, rental income and income from managed rental. An analysis of the Group's revenue for the financial period is as follows:

	Group					
	3 months ended		Change	6 months ended		Change
	30/6/2016	30/6/2015	+ / (-)	30/6/2016	30/6/2015	+ / (-)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue:						
- Direct sales	147,018	141,591	3.8	314,664	306,914	2.5
- Commission from concessionaire sales	32,363	31,175	3.8	71,362	71,971	(0.8)
- Rental income	14,683	16,491	(11.0)	30,279	34,704	(12.8)
- Managed rental	6,861	10,140	(32.3)	14,492	19,144	(24.3)
	<u>200,925</u>	<u>199,397</u>	0.8	<u>430,797</u>	<u>432,733</u>	(0.4)
Gross revenue from concessionaire sales	<u>139,981</u>	<u>136,961</u>	2.2	<u>328,652</u>	<u>329,380</u>	(0.2)
Gross sales proceeds*	<u>308,543</u>	<u>305,183</u>	1.1	<u>688,087</u>	<u>690,142</u>	(0.3)

* Gross sales proceeds represent the aggregate sum of revenue received and receivable for goods sold by direct sales, gross revenue from concessionaire sales, rental income and income from managed rental.

2. Profit before taxation

	← Group →					
	3 months ended		Change	6 months ended		Change
	30/6/2016	30/6/2015	+ / (-)	30/6/2016	30/6/2015	+ / (-)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Profit before tax is arrived at after (charging)/crediting the following:						
Inventories written down	(132)	(139)	(5.0)	(312)	(320)	(2.5)
Other income:						
Advertisement and promotion fees	18,366	15,036	22.1	32,046	29,442	8.8
Exchange gain	1,541	(18)	n.m.	1,554	-	n.m.
Leisure facilities charges	213	228	(6.6)	410	453	(9.5)
Management fees	1,550	1,612	(3.8)	3,182	3,244	(1.9)
Net gain on disposal of property, plant and equipment	-	-	n.m.	381	-	n.m.
Write-back of free-rent incentives and step rental provision	73,980	-	n.m.	73,980	-	n.m.
Selling and distribution expenses:						
Employee benefit expenses						
- Defined contribution plans	(2,375)	(2,527)	(6.0)	(4,939)	(5,403)	(8.6)
- Salaries, wages, bonuses and other costs	(13,463)	(12,958)	3.9	(27,452)	(28,459)	(3.5)
Rental expenses*	(27,063)	(28,117)	(3.7)	(55,795)	(58,990)	(5.4)
Utilities	(7,844)	(8,283)	(5.3)	(12,866)	(14,342)	(10.3)
Amortisation of intangible assets	(152)	(217)	(30.0)	(304)	(435)	(30.1)
Advertisement and promotion fees	(717)	(1,458)	(50.8)	(1,480)	(2,048)	(27.7)
Business tax and surcharges	(2,743)	(4,251)	(35.5)	(7,615)	(9,453)	(19.4)
Administrative expenses:						
Employee benefit expenses						
- Defined contribution plans	(1,357)	(1,244)	9.1	(2,940)	(2,439)	20.5
- Salaries, wages, bonuses and other costs	(11,371)	(11,199)	1.5	(23,743)	(21,636)	9.7
Accrued step rental income written off	(1,496)	-	n.m.	(1,496)	-	n.m.
Bank charges	(719)	(681)	5.6	(1,611)	(1,672)	(3.6)
Director fees	(181)	(162)	11.7	(426)	(328)	29.9
Depreciation of property, plant and equipment	(1,742)	(1,809)	(3.7)	(3,589)	(3,780)	(5.1)
Office supplies	(343)	(248)	38.3	(635)	(474)	34.0
Impairment loss on property, plant and equipment	(14,129)	-	n.m.	(14,129)	-	n.m.
Net loss on disposal of property, plant and equipment	-	(11)	n.m.	-	(11)	n.m.
Exchange loss	-	(268)	n.m.	-	(268)	n.m.

* Inclusive of operating lease charges of RMB21.9 million in 2Q 2016 (RMB20.9 million) and RMB43.4 million 1H 2016 (RMB44.8 million) and a straight-line recognition of the lease expenses over the lease term, aggregate of rent-free incentives and step rental provision, of RMB5.2 million in 2Q 2016 (RMB7.2 million) and RMB12.4 million in 1H 2016 (RMB14.2 million) respectively.

n.m. – Not meaningful

1(b)(i) A statement of financial position (for the issuer and group), together with a comparative statement as at the end of the immediately preceding financial year.

	← Group →		← Company →	
	30/6/2016 RMB'000	31/12/2015 RMB'000	30/6/2016 RMB'000	31/12/2015 RMB'000
Non-current assets				
Property, plant and equipment	37,437	50,334	16	17
Intangible assets	6,622	6,926	-	-
Investment in subsidiaries	-	-	48,378	80,023
Investment in an associate	24,756	24,823	-	-
Long-term investment	2,850	950	-	-
Deferred tax assets	13,529	28,862	-	-
Other assets	4,729	6,225	-	-
	<u>89,923</u>	<u>118,120</u>	<u>48,394</u>	<u>80,040</u>
Current assets				
Inventories	104,190	101,173	-	-
Prepayments	23,133	19,740	81	67
Trade and other receivables	31,384	32,409	46	43
Amount due from a subsidiary	-	-	-	-
Amount due from an associate	1,200	600	-	-
Amount due from related parties	1,432	3,846	-	-
Cash and cash equivalents	270,883	268,149	47,708	23,279
	<u>432,222</u>	<u>425,917</u>	<u>47,835</u>	<u>23,389</u>
Less: Current liabilities				
Trade and other payables	265,244	259,214	22	48
Other liabilities	24,526	33,413	1,206	1,526
Amount due to related parties	3,927	13,178	-	-
Income tax payable	12,772	11,918	-	-
	<u>306,469</u>	<u>317,723</u>	<u>1,228</u>	<u>1,574</u>
Net current assets	<u>125,753</u>	<u>108,194</u>	<u>46,607</u>	<u>21,815</u>
Non-current liabilities				
Other liabilities	47,449	109,075	-	-
Deferred tax liabilities	1,885	2,468	-	507
	<u>49,334</u>	<u>111,543</u>	<u>-</u>	<u>507</u>
Net assets	<u>166,342</u>	<u>114,771</u>	<u>95,001</u>	<u>101,348</u>
Equity attributable to the holders of the Company				
Share capital	67,148	67,148	67,148	67,148
Statutory common reserve	23,221	22,502	-	-
Currency translation reserve	(813)	(1,336)	(824)	(1,346)
Revenue reserve	76,786	26,457	28,677	35,546
Total equity	<u>166,342</u>	<u>114,771</u>	<u>95,001</u>	<u>101,348</u>

1(b)(ii) Aggregate amount of group's borrowings and debt securities.

Amount repayable in one year or less, or on demand

None.

Amount repayable after one year

None.

Details of any collateral

Not applicable.

1(c) Consolidated statement of cash flow (for the group), together with a comparative statement for the corresponding period of the immediately preceding financial year.

	← Group →			
	3 months ended		6 months ended	
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities				
Profit before taxation	82,317	19,676	110,382	50,343
Adjustments for:				
Depreciation of property, plant and equipment	1,742	1,809	3,589	3,780
Amortisation of intangible assets	152	217	304	435
Impairment loss on property, plant and equipment	14,129	-	14,129	-
Net (gain)/loss on disposal of property, plant and equipment	-	11	(381)	11
Rent-free incentives and step rental provision	5,237	7,208	12,354	14,199
Write-back of free-rent incentives and step rental provision	(73,980)	-	(73,980)	-
Accrued step rental income written off	1,496	-	1,496	-
Inventories written down	132	139	312	320
Interest income	(708)	(752)	(4,108)	(1,267)
Finance costs	-	192	-	383
Share of results of associate	9	61	67	156
Unrealised exchange difference	-	-	-	1
Operating cash flows before changes in working capital	30,526	28,561	64,164	68,361
(Increase)/decrease in inventories	(5,754)	5,896	(3,329)	13,217
(Increase)/decrease in prepayments	(3,287)	2,243	(3,388)	3,583
Decrease in trade and other receivables	187	1,429	3,439	3,891
Decrease in trade and other payables	(18,638)	(33,887)	(12,302)	(19,369)
Cash flows generated from operation	3,034	4,242	48,584	69,683
Interest received	708	752	4,108	1,267
Tax paid	(13,820)	(10,370)	(20,365)	(17,308)
Net cash flows generated from operating activities	(10,078)	(5,376)	32,327	53,642
Cash flows from financing activities				
Dividends paid	(23,381)	(22,424)	(23,381)	(22,424)
Increase in amount due from an associate	(300)	-	(600)	-
Net cash flows used in financing activities	(23,681)	(22,424)	(23,981)	(22,424)
Cash flows from investing activities				
Purchases of property, plant and equipment	(2,091)	(118)	(5,148)	(1,899)
Long-term investment	-	-	(1,900)	-
Proceeds from disposal of property, plant and equipment	-	-	808	-
Net cash flows used in investing activities	(2,091)	(118)	(6,240)	(1,899)
Net increase in cash and cash equivalents	(35,850)	(27,918)	2,106	29,319
Effect of exchange rate changes on cash and cash equivalents	(514)	248	628	(130)
Cash and cash equivalents at beginning of financial period	307,247	271,020	268,149	214,161
Cash and cash equivalents at end of financial period	270,883	243,350	270,883	243,350
For the purpose of the consolidated statement of cash flows, the cash and cash equivalents comprise the following:				
Cash on hand	5,884	6,291	5,884	6,291
Bank balances	264,999	237,059	264,999	237,059
	270,883	243,350	270,883	243,350

1(d) (i) A statement (for the issuer and group) showing either (i) all changes in equity or (ii) changes in equity other than those arising from capitalisation issues and distributions to shareholders, together with a comparative statement for the corresponding period of the immediately preceding financial year.

	Attributable to equity holders of the Company				
	Share capital RMB'000	Currency translation reserve RMB'000	Revenue reserve RMB'000	Statutory common reserve RMB'000	Total equity RMB'000
Group					
Balance at 1 January 2015	67,148	(1,755)	16,107	20,515	102,015
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	(378)	-	-	(378)
Profit for the period	-	-	22,611	-	22,611
Total comprehensive income for the period	-	(378)	22,611	-	22,233
Balance at 31 March 2015	67,148	(2,133)	38,718	20,515	124,248
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	248	-	-	248
Profit for the period	-	-	13,222	-	13,222
Total comprehensive income for the period	-	248	13,222	-	13,470
Dividends paid	-	-	(22,424)	-	(22,424)
Balance at 30 June 2015	67,148	(1,885)	29,516	20,515	115,294
Balance at 1 January 2016	67,148	(1,336)	26,457	22,502	114,771
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	1,067	-	-	1,067
Profit for the period	-	-	20,404	-	20,404
Transfer to statutory common reserve	-	-	(719)	719	-
Total comprehensive income for the period	-	1,067	19,685	719	21,471
Balance at 31 March 2016	67,148	(269)	46,142	23,221	136,242
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	(544)	-	-	(544)
Profit for the period	-	-	54,025	-	54,025
Total comprehensive income for the period	-	(544)	54,025	-	53,481
Dividends paid	-	-	(23,381)	-	(23,381)
Balance at 30 June 2016	67,148	(813)	76,786	23,221	166,342

	Attributable to equity holders of the Company			
	Share	Currency	Revenue	Total
	capital	translation	reserve	equity
	RMB'000	RMB'000	RMB'000	RMB'000
Company				
Balance at 1 January 2015	67,148	(1,763)	24,246	89,631
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	(383)	-	(383)
Loss for the period	-	-	(928)	(928)
Total comprehensive income for the period	-	(383)	(928)	(1,311)
Balance at 31 March 2015	67,148	(2,146)	23,318	88,320
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	249	-	249
Profit for the period	-	-	36,092	36,092
Total comprehensive income for the period	-	249	36,092	36,341
Dividends paid	-	-	(22,424)	(22,424)
Balance at 30 June 2015	67,148	(1,897)	36,986	102,237
Balance at 1 January 2016	67,148	(1,346)	35,546	101,348
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	1,067	-	1,067
Profit for the period	-	-	6,219	6,219
Total comprehensive income for the period	-	1,067	6,219	7,286
Balance at 31 March 2016	67,148	(279)	41,765	108,634
Exchange difference arising from the translation from functional currency to presentation currency representing other comprehensive income for the period	-	(545)	-	(545)
Profit for the period	-	-	10,293	10,293
Total comprehensive income for the period	-	(545)	10,293	9,748
Dividends paid	-	-	(23,381)	(23,381)
Balance at 30 June 2016	67,148	(824)	28,677	95,001

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- 1(d) (ii) Details of any changes in the company's share capital arising from rights issue, bonus issue, share buy-backs, exercise of share options or warrants, conversion of other issues of equity securities, issue of shares for cash or as consideration for acquisition or for any other purpose since the end of the previous period reported on. State also the number of shares that may be issued on conversion of all the outstanding convertibles, as well as the number of shares held as treasury shares, if any, against the total number of issued shares excluding treasury shares of the issuer, as at the end of the current financial period reported on and as at the end of the corresponding period of the immediately preceding financial year.**

There were no changes in the share capital of the Company in 2Q 2016.

There were no outstanding convertibles issued or treasury shares held by the Company as at 30 June 2016.

- 1(d) (iii) Total number of issued shares excluding treasury shares as at the end of the current financial period and as at the end of the immediately preceding year.**

	30/6/2016	31/12/2015
Total number of issued shares (excluding treasury shares)	196,320,000	196,320,000

- 1(d) (iv) A statement showing all sales, transfers, disposal, cancellation and/or use of treasury shares as at the end of the current financial period reported on.**

Not applicable.

- 2 Whether the figures have been audited or reviewed and in accordance with which auditing standard or practice.**

The figures have not been audited or reviewed by the auditors.

- 3 Where the figures have been audited or reviewed, the auditors' report (including any qualifications or emphasis of matter).**

Not applicable.

- 4 Whether the same accounting policies and methods of computation as in the issuer's most recently audited annual financial statements have been applied.**

Except as disclosed in paragraph 5 below, the Group has applied the same accounting policies and methods of computation as in the financial statements for the current financial period compared with those of the audited financial statements as at 31 December 2015.

- 5 If there are any changes in the accounting policies and methods of computation, including any required by an accounting standard, what has changed, as well as the reasons for, and the effect of, the change.**

The Group adopted the new/revised FRS and Interpretations of FRS ("INT FRS") that are effective for annual periods beginning on or after 1 January 2016. The adoption of the above FRS and INT FRS did not have any significant impact on the financial statements of the Group.

6 Earnings per ordinary share of the group for the current period reported on and the corresponding period of the immediately preceding financial year, after deducting any provision for preference dividends.

	3 months ended		6 months ended	
	30/6/2016	30/6/2015	30/6/2016	30/6/2015
	RMB cents	RMB cents	RMB cents	RMB cents
(a) Based on weighted average no. of shares	27.52	6.74	37.91	18.25
(b) Based on fully diluted basis	27.52	6.74	37.91	18.25
Weighted average no. of shares applicable to basic earnings per share	196,320,000	196,320,000	196,320,000	196,320,000
Weighted average no. of shares based on fully diluted basis	196,320,000	196,320,000	196,320,000	196,320,000

7 Net asset value (for the issuer and group) per ordinary share based on the total number of issued shares excluding treasury shares of the issuer at the end of the (a) current financial period reported on and (b) immediately preceding financial year.

	Group		Company	
	30/6/2016	31/12/2015	30/6/2016	31/12/2015
	RMB cents	RMB cents	RMB cents	RMB cents
Net asset value per ordinary share	84.73	58.46	48.39	51.62

8 A review of the performance of the group, to the extent necessary for a reasonable understanding of the group's business. The review must discuss any significant factors that affected the turnover, costs, and earnings of the group for the current financial period reported on, including (where applicable) seasonal or cyclical factors. It must also discuss any material factors that affected the cash flow, working capital, assets or liabilities of the group during the current financial period reported on.

Statement of Comprehensive Income

A review of the statement of Comprehensive Income for the three-month period ended 30 June 2015 ("2Q 2015") and 2Q 2016 and the six-month period ended 30 June 2015 ("1H 2015") and 1H 2016 are as follows:-

The Group has ceased its Nanjing Nanzhan Store's operation in 2Q 2016 with a significant impact on the Group's financial performance and position in the respective financial period.

The Group revenue rose marginally to RMB200.9 million (RMB199.4 million) in 2Q 2016 mainly due to contribution from its new stores, offset by Nanjing Nanzhan Store being in the process of ceasing its operation in 2Q 2016. 1H 2016 revenue is marginally lower at RMB430.8 million (RMB432.7 million).

The Group's gross profit declined by 5% to RMB72.8 million (RMB76.4 million) in 2Q 2016 and 7% to RMB157.1 million (RMB168.4 million) in 1H 2016 mainly due to clearance sales in Nanjing Nanzhan Store.

As our cost of sales is incurred solely in respect of our direct sales activities, a discussion on the gross profit margins for our rental, managed rental and concessionaire sales activities is not meaningful.

The Group's gross profit and gross profit margin in respect of our direct sales activities are set out below:

	← Group →					
	3 months ended		Change	6 months ended		Change
	30/6/2016	30/6/2015	+ / (-)	30/6/2016	30/6/2015	+ / (-)
	RMB'000	RMB'000	%	RMB'000	RMB'000	%
Revenue from direct sales activities	147,018	141,591	3.8	314,664	306,914	2.5
Cost of sales	<u>(128,155)</u>	<u>(123,047)</u>	4.2	<u>(273,740)</u>	<u>(264,313)</u>	3.6
Gross profit from direct sales activities	<u>18,863</u>	<u>18,544</u>	1.7	<u>40,924</u>	<u>42,601</u>	(3.9)
Gross profit margin on direct sales activities	12.8%	13.1%	(0.3)	13.0%	13.9%	(0.9)

The gross profit margin for the direct sales activities slightly decreased to 12.8% (13.1%) in 2Q 2016 and 13.0% (13.9%) in 1H 2016 mainly due to the above-mentioned clearance sales.

Other income increased by 411% to RMB97.2 million (RMB19.0 million) in 2Q 2016 and 208% to RMB114.2 million (RMB37.0 million) in 1H 2016. RMB74.0 million of the increase came from the reversal of rent-free incentives and step rental provision arising from Nanjing Nanzhan Store closure in 2Q 2016.

Selling and distribution expenses declined by 6% to RMB55.2 million (RMB59.0 million) in 2Q 2016 and 7% to RMB112.9 million (RMB122.0 million) in 1H 2016. This was mainly attributable to the reduction of operating staff resulting from the changes in sales structure to improve the Group's operation efficiency and productivity, offset by retrenchment costs for Nanjing Nanzhan Store.

For rental expenses, our stores operate on leased premises on a fixed tenure and rental is charged on an increasing basis over their lease periods. Based on the Group's accounting policy, rental expenses on increasing basis are amortised equally over the entire period of any lease. As such, apart from the actual rental expense charged by the landlords, rent-free incentives and step rental provision of RMB5.2 million and RMB12.4 million were accrued in 2Q 2016 and 1H 2016 and were non-cash in nature.

Administrative expenses increased by 92% to RMB33.2 million (RMB17.3 million) in 2Q 2016 and 54% to RMB52.1 million (RMB33.9 million) in 1H 2016 mainly due to impairment loss on property, plant and equipment of Nanjing Nanzhan Store amounting to RMB14.1 million and a reversal of accrued step rental income amounting to RMB1.5 million for the abovesaid store in 2Q 2016.

The tax expenses of the Group increased by 338% to RMB28.3 million (RMB6.5 million) in 2Q 2016 and 148% to RMB36.0 million (RMB14.5 million) in 1H 2016 mainly due to reversal of deferred tax assets amounting to RMB18.5 million in relation to the reversal of rent-free incentives and step rental provision for Nanjing Nanzhan Store and withholding tax on payment of dividends from the Group's subsidiaries.

As a result of the factors above, net profit for the Group rose by 309% to RMB54.0 million (RMB13.2 million) in 2Q 2016 and 108% to RMB74.4 million (RMB35.8 million) in 1H 2016 mainly due to the financial impact from the Nanjing Nanzhan Store closure amounting to RMB42.1 million.

Balance Sheet

A review of the balance sheet items as at 31 December 2015 and 30 June 2016 are as follows:-

Non-current assets decreased by RMB28.2 million or 24% to RMB89.9 million (RMB118.1 million) as at 30 June 2016 mainly due to (i) decrease in property, plant and equipment by RMB12.9 million as a result of impairment of Nanjing Nanzhan Store's property, plant and equipment amounting to RMB14.1 million and depreciation charges of RMB3.6 million which were partly offset by additional capital expenditure of RMB5.2 million for setup of new stores; and (ii) decrease in deferred tax assets by RMB15.3 million resulting from the reversal of deferred tax assets in relation to the reversal of rent-free incentives and step rental provision for Nanjing Nanzhan Store.

Current assets slightly increased by RMB6.3 million or 1% to RMB432.2 million (RMB425.9 million) as at 30 June 2016 mainly due to (i) increase in inventories by RMB3.0 million during seasonal vacations; (ii) increase in prepayment by RMB3.4 million mainly relating to prepaid rent; and (iii) increase in cash and cash equivalents by RMB 2.7 million mainly resulting from cash generated from the Group's operations which was offset by the cash dividend payout, acquisition of property, plant and equipment for setup of new stores and a capital partially injected as our 19% contribution to the capital of Xiamen Ganghui Commercial Co., Ltd. ("Xiamen Ganghui"); offset by (iv) decrease in trade and other receivables by RMB1.0 million resulting from the conversion of rental deposit to prepaid rent in accordance with the respective lease agreement; and (v) settlement of amount due from related parties.

Current liabilities decreased by RMB11.3 million or 4% to RMB306.5 million (RMB 317.7 million) as at 30 June 2016 mainly due to (i) decrease in other liabilities by RMB8.9 million as a result of lower accruals of operating expenses; and (ii) repayment to related parties, offset by (iii) increase in trade and other payables by RMB6.0 million as a result of higher procurement activities.

Non-current liabilities decreased by RMB62.2 million or 56% to RMB49.3 million (RMB111.5 million) as at 30 June 2016 mainly due to the reversal of rent-free incentives and step rental provision for Nanjing Nanzhan Store.

Cash flow statement

The Group reported a net increase of RMB2.7 million in cash and cash equivalents in 1H 2016 mainly due to:

- 1 Net cash generated from operating activities amounting to RMB32.3 million in 1H 2016. This was attributable mainly to the following:
 - (i) operating cash flows before working capital changes of RMB64.2 million in 1H 2016 after adjustment mainly for rental-free incentives and step rental provision of RMB12.4 million and its write-back of RMB74.0 million which were non-cash in nature, interest income of RMB4.1 million, depreciation and impairment loss on property, plant and equipment amounting to RMB17.7 million;
 - (ii) a decrease in trade and other payables of RMB12.3 million in 1H 2016 as a result of lower accruals of operating expenses and repayment to related parties, offset by higher procurement activities, and
 - (iii) payment of income tax of RMB20.4 million in 1H 2016.

Offset by:

- 2 Net cash used in financing activities amounting to RMB24.0 million in 1H 2016 mainly for distribution of dividends.
- 3 Net cash used in investing activities amounting to RMB6.2 million in 1H 2016 mainly for acquisition of property, plant and equipment for setup of new stores and the investment in Xiamen Ganghui.

9 Where a forecast, or a prospect statement, has been previously disclosed to shareholders, any variance between it and the actual results.

The Group's performance in 2Q 2016 is largely in line with what was previously reported or disclosed.

10 A commentary at the date of the announcement of the significant trends and competitive conditions of the industry in which the group operates and any known factors or events that may affect the group in the next reporting period and the next 12 months.

According to the National Bureau of Statistics of China, retail sales for the first six months of 2016 grew by 10.3% year-on-year. Nevertheless, the retail scene remains competitive.

With the closure of our store in Nanjing, the Group is able to focus on our operations in Fujian Province. We expect to add two new stores over the next six months in Fujian. A new 16,900 sq m self-owned store in Quangang District, Quanzhou City will be added while the existing 4,000 sq m managed store nearby will be closed. The management agreement with the old Quangang store will hence be terminated. The second store scheduled to be open is a 3,700 sq m store in Anxi County in Quanzhou. Upon the opening of these two stores and the closure of the old Quangang store, we will have 14 stores in Fujian with a total gross floor area of over 180,000 sq m.

Barring any unforeseen circumstance, we expect our performance to remain satisfactory over the coming quarters.

11 Dividend

(a) Current Financial Period Reported On

Any dividend recommended for the current financial period reported on?

Name of Dividend	First interim	Second interim
Dividend Type	Cash	Cash
Dividend amount per ordinary share	1.0 Singapore cent	1.0 Singapore cent
Tax rate	One-tier tax exempt	One-tier tax exempt

(b) Corresponding Period of the Immediately Preceding Financial Year

Any dividend declared for the corresponding period of the immediately preceding financial year?

Name of Dividend	First interim	Second interim
Dividend Type	Cash	Cash
Dividend amount per ordinary share	1.0 Singapore cent	1.0 Singapore cent
Tax rate	One-tier tax exempt	One-tier tax exempt

(c) Date payable

The interim dividend will be paid on or about 15 September 2016.

(d) Books closure date

Notice is hereby given that the Share Transfer Books and Register of Members of the Company will be closed at 5.00 pm on 2 September 2016 for the purpose of determining shareholders' entitlements to the interim dividend.

Duly completed registrable transfers received by the Company's Share Transfer Agent, boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623 up to 5.00 p.m. on 2 September 2016 will be registered to determine shareholders' entitlements to the interim dividend.

Shareholders (being depositors) whose securities accounts with The Central Depository (Pte) Limited are credited with shares as at 5.00 p.m. on 2 September 2016 will be entitled to the interim dividend.

12 If no dividend has been declared/recommended, a statement to that effect.

Not applicable.

13 Interested person transactions

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Management fees charged to a related party: Quanzhou Zhongmin Baihui Shopping Co., Ltd.	RMB3,182,415	-

The Group has not obtained a general mandate from Shareholders for interested person transactions.

14 Negative confirmation pursuant to Rule 705(5).

The Board of Directors confirms that to the best of their knowledge, nothing has come to the attention of the Board of Directors which may render the financial results for the second quarter and half year ended 30 June 2016 of the Group and the Company to be false or misleading in any material aspect.

15. Confirmation that the issuer has procured undertakings from all its directors and executive officers under Rule 720(1)

The Company hereby confirms that it has procured undertakings from all the directors and executive officers under Rule 720(1).

BY ORDER OF THE BOARD

ZHONGMIN BAIHUI RETAIL GROUP LTD.

LEE SWEE KENG

EXECUTIVE CHAIRMAN

12 August 2016